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Performance: YTD April 30: '96 116.9%; '97 28.1%; '98 36.4%; '99 39.4%; '00 180.9%; '01 -50.5%; '02 18.7%; '03 28.8%; '04 166.7%; '05 28.2%; '06 153.3%; '07 8.8%; '08 -25.2%; '09 -50.3%; '10 162.3%

## Junior Gold and Natural Resource Sector Report

January 24, 2011

### Historic Mexican Copper

## CATALYST COPPER CORP (CCY-TSX Venture)

### UPDATE REPORT



### Catalyst Copper Advances La Verde Towards Feasibility

On the heels of excellent drill and geophysical results, Catalyst Copper has announced the start of a 20,000 m diamond drilling program at its La Verde copper-gold project in Michoacán State, México. 2011 promises to be a busy year for Catalyst, which could see a transition from a focus on exploration and delineation to one of development.

Phase 1 of the 2011 program will see drilling extensions on the known deposits, initial metallurgical test work, baseline environmental studies, and will update the resource model. Phase 1 is budgeted at a minimum of US\$2 million.

Phase 2 will see continuation of definition drilling as well as testing geophysical targets identified in the 2010 program. Metallurgical test work will be carried out to determine copper-gold-silver-molybdenum recoveries to a sulphide concentrate, as well as updating the resource model with the 2011 drilling results. Phase 2 is budgeted at US\$4 million and will commence immediately following Phase 1. A preliminary economic assessment will be carried out at end of the 2011 program.

Catalyst Copper currently has approximately \$3.2 million dollars in working capital. The 2011 work program will complete their commitments with Teck to exercise their option to earn a 60% interest in the property.

**Independent Resource Estimate**

Catalyst has a three-year option agreement with Teck whereby it can earn a 60% interest in La Verde, subject to a back-in right by Teck (explained below). It also signed a four-year land access agreement with local land owners and completed 12,275 m of core drilling and 150 km of geophysical surveys. This was followed by an initial NI 43-101 compliant independent resource estimate by Micon International Engineering.

At the 0.2% copper cut-off grade, the East and West Hill deposits’ Measured and Indicated Resources of 210.5 million tonnes average 0.46% total copper (TCu) and contain 2.1 billion pounds of copper, and Inferred Resources of 130.8 million tonnes grading 0.46% TCu, containing 1.3 billion pounds of copper.

Copper mineralization is primarily chalcopyrite and to a lesser extent, bornite. Historically gold (Au), silver (Ag) and molybdenite (Mo) values are known to be associated with the deposits. Currently the number of assays available for these elements is insufficient to interpolate Au, Ag and Mo grades into the resource model (this will be addressed by the 2011 drilling program).

Cu% Cut-Off	Measured+Indicated Tonnes	Cu%	Inferred Tonnes	Cu%
0.1	345,165,850	0.34	240,761,200	0.31
0.2	210,487,200	0.46	130,768,400	0.45
0.3	142,785,350	0.56	84,913,150	0.57
0.4	93,595,500	0.67	54,333,700	0.69
0.5	60,113,350	0.79	34,807,650	0.82

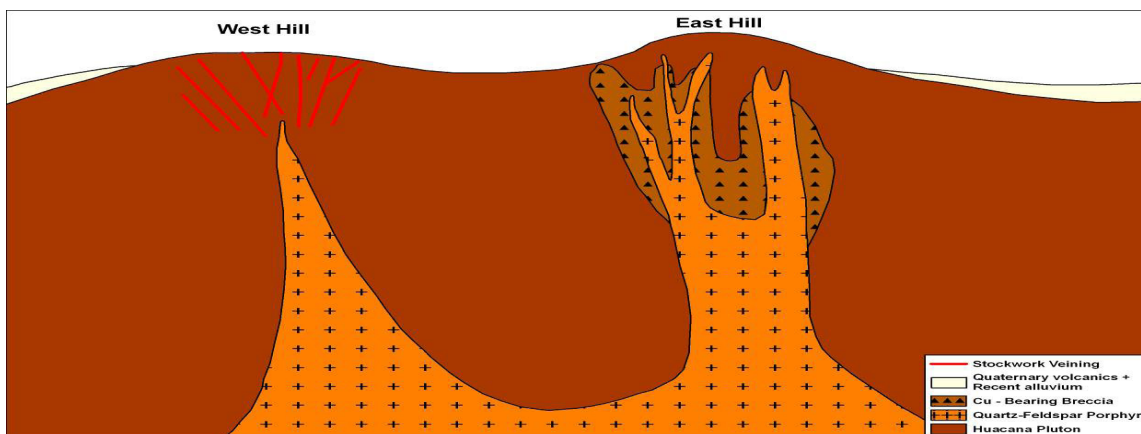
**The Option Agreement**

The La Verde project is subject to an option agreement with Teck Resources whereby Catalyst may earn a 60% interest by making an initial \$6 million payment (completed) and US\$10,000,000 in exploration expenditures (including 30,000 m of drilling and 200 km of IP) by December 31, 2012. Once Catalyst earns 60% interest, Teck has the option to increase its interest to 60% by incurring aggregate expenditures equal to two times the amount spent by Catalyst. Should Teck fail to exercise its option, Catalyst can acquire 100% of La Verde by paying Teck US\$20 million. The property is subject to an underlying 0.5% NSR.

**About La Verde**

The La Verde project area has excellent infrastructure. Power, rail and water all cross the property. Lazaro Cardenas, Mexico’s third largest port on the Pacific Ocean coast is 150 km from site. Significant upside potential remains for the two known zones of porphyry style copper, gold and

molybdenum mineralization as the 2010 drill program has shown both deposits remain open to depth and along strike, and may in fact come together at depth.



Catalyst’s 2010 drill program returned long copper-gold intercepts from two porphyry zones outlined by previous explorers. The longest hit came from hole 21, which cut 634.8 m grading 0.42% copper from 19 m depth. The bottom of the hole included 130 m carrying 0.91% copper. This hole tested the West Hill area, as did hole 19 which returned 550 m grading 0.41% copper starting 91 m downhole, including 20 m of 1.16% copper.

In the East Hill area hole 12 cut 239.8 m grading 0.5% copper and 0.048 g/t gold, starting 13 m downhole. Similarly, hole 14 hit 156 m grading 0.36% copper and 0.165 g/t gold from 9 m depth, and hole 76 intercepted 94 m carrying 0.39% copper and 0.096 g/t gold, starting at surface.

Porphyry mineralization at La Verde is hosted in a granodiorite-quartz monzonite intrusive complex called the Sierra del Marques complex. Over the last 40 years several companies have spent millions of dollars exploring the property, including geological, geochemical, and geophysical surveys as well as 80,000 m of drilling.

This previous work identified two large mineralized zones, known as East and West Hill. The East Hill zone comprises four mineralized intrusive phases that conform to a typical porphyry system. At West Hill, a series of east-west striking chalcopyrite- and bornite-rich veins are focused within an elliptical body.

Catalyst believes the presence of two zones and the abundance of mineralized intrusive breccias, alteration styles, and sulphide mineral assemblages indicate the Sierra del Marques complex may be the upper portion of a much larger porphyry system.

Catalyst's other major focus at La Verde has been completing an induced polarization (IP) survey. To date IP anomalies at La Verde have correlated well with copper mineralization; the East and West Hill zones show up well on IP surveys. The company has another IP target to test approx 4 km south of the current deposit. It strikes for 2 km and stretches across 400 m width. Catalyst plans to drill the new IP target before the end of the year.

Catalyst is looking to define a compliant resource. The last resource at La Verde came in 1972, defining historic estimated resources of 72.6 million tonnes grading 0.7% copper. Catalyst's current drill program is forming a new resource calculation via twinning and infill, while also stepping out to probe extensions of the known zones.

While there are several ultimate ownership scenarios possible (see below Project Scenario Analysis), for comparison purposes we have taken 100% Catalyst's La Verde property and compare it to Copper Mountain's, which is similar in size and grade:

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## COMPARISON

### Copper Mountain / Catalyst Copper

#### **Copper Mountain (CUM-TSX) - 100% ownership**

NI 43-101 Resource Calculation:

- Measured and indicated 0.2% cut-off grade, 359.6 Mt grading 0.37%, containing 2.68 billion pounds of copper (Cu)
- Inferred resources at 0.2% cut-off grade = 186.0 Mt grading 0.29% Cu, containing 1.06 billion pounds Cu
- **Total : 3.74 billion pounds of copper**

Stock price. \$6.92

Shares outstanding. 95 million fully diluted

Market Cap: \$656 million

#### **Catalyst Copper (CCY-TSXv) - 100% Ownership**

NI 43-101 Resource estimate by Micon International

- Measured and indicated 0.2% cut-off grade, 210.0 Mt grading 0.46% Cu, containing 2.1 billion pounds Copper (Cu)
- Inferred resources at 0.2% cut-off = 130.8 Mt grading 0.46% Cu, containing 1.3 billion pounds Cu
- **Total : 3.40 billion pounds of copper**

Stock price: \$0.17

Shares outstanding: 223 Million fully diluted

Market Cap: \$38 million

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### Project Scenario Analysis under Teck option

**Base Case:** CCY owns 60%, Teck 40%,

- Teck and CCY pay remaining project costs on 60-40 basis
- Project is likely between 4-5 billion pounds Cu
- CCY has 60% of 4-5 billion pounds, which is 2.4 - 3.0 billion pounds Cu
- CCY and Teck split feasibility study 60-40

**Scenario 1:** CCY owns 100%, pays Teck \$20 million

- CCY has 100% of deposit that is like 4-5 billion pounds Cu
- CCY has 4-5 billion pounds Cu
- Pays Teck \$20 million

- Raises additional funds to bring project to feasibility stage
- CCY likely raises \$40 million (20 to pay Teck 20 for feasibility study)

**Scenario 2:** CCY owns 40%, Teck 60%.

- Teck pays \$20 million to take project to feasibility stage Project is likely greater than 5 billion pounds Cu
- Teck pays for feasibility study
- CCY has 40% interest in feasibility stage large copper deposit greater than 5 billion pounds Cu
- CCY has 2+ billion pounds Cu, of a feasibility staged project

## **Conclusion**

Catalyst Copper has outlined a sizable low-grade copper resource in two adjacent deposits. The La Verde copper property includes an exposed 3km x 1km porphyry system in a complex geological setting. It should be amenable to open pit mining with potential Mo and Au credits and comes with significant upside exploration potential. The system is open in all directions with an extensive structurally-controlled mag low corridor, which remains untested.

Significant upside can be achieved if drilling confirms that they are connected at depth, and/or if another large geophysical anomaly is proven up. The NI 43-101 compliant estimate for the East and West Hill deposits places measured and indicated resources at 210.5 million tonnes averaging 0.46% total copper (2.1 billion pounds) and inferred resources at 130.8 million tonnes grading 0.46% total copper (1.3 billion pounds). The estimate assumes a 0.2% copper cut-off grade, and is sensitive to cut-off grade which is determined largely by the price of copper, which is expected to continue to appreciate as the world economy recovers.

There is significant potential for more tonnage in both deposits, especially at depth, and the company's consultants have recommended additional delineation drilling around the perimeter of the deposits and at depth. "These two deposits are exposed at surface and amenable to low-cost open-pit mining. This, along with the excellent infrastructure that exists on site, should reduce future anticipated capital and operating costs for this project," says Terry Hodson, Catalyst's VP Exploration.

In addition, there is currently insufficient assay data on contained metals other than copper. The copper mineralization associated with the deposits is primarily chalcopyrite and, to a lesser extent, bornite. Historically, gold, silver and moly are known to be associated with these deposits, but more assays will be required to interpolate grades for those metals into the resource model. Bornite veins in step-out holes suggest an expanded footprint of porphyry 'core' with positive implications for sulfide concentrate.

Water, power and rail are available nearby and the site is approximately 150km from coastal port facilities. To set a simple initial benchmark, we can compare the current market cap per fully-diluted share using just the M&I estimated resource of 210.0 Mt of 0.46% Cu (2.135 billion pounds), using 10-cents per pound of in-situ copper. This gives a 'value' of about US\$213.6 million or about \$0.96 per share assuming ultimate 100% ownership.

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